

CITY OF VENTURA

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2014

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CITY OF VENTURA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
George Simpson	Mayor	Jan 2014
Pat Kuhlemeier	Council Member	Jan 2014
Darwin Avery	Council Member	Jan 2016
John Quintus	Council Member	Jan 2016
Brian Vaage	Council Member	Jan 2014
Mike Thackery	Council Member	Jan 2016
Else Taylor	City Administrator	July 2014
John Sorenson	Attorney	July 2014
(After January 2014)		
Art Tesar	Mayor	Jan 2018
Crystal Kay Meints	Council Member	Jan 2018
Darwin Avery	Council Member	Jan 2016
John Quintus	Council Member	Jan 2016
Brian Vaage	Council Member	Jan 2018
Mike Thackery	Council Member	Jan 2016
Else Taylor	City Administrator	July 2014
John Sorenson	Attorney	July 2014



Renner & Birchem, PC

Certified Public Accountants

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ventura, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by activity of the cash basis net position and by fund of the cash balances at July 1, 2013.

Qualified Opinions

In our opinion, except for the effects of the matter discussed in the “Basis for Qualified Opinions” paragraph, the financial statements referred to in the first paragraph of this report present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the remaining fund information of the City of Ventura as of June 30, 2014, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ventura’s basic financial statements. The supplementary information included in Schedules 1 through 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management’s Discussion and Analysis and the budgetary comparison information on pages 6 through 12 and 25 through 26 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 16, 2015 on our consideration of City of Ventura’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Ventura’s internal control over financial reporting and compliance.

January 16, 2015



Renner & Birchem, P.C.
Britt, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Ventura provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

2014 FINANCIAL HIGHLIGHTS

- The cash basis net position of the City's governmental activities increased \$176,226 from fiscal year 2013 to fiscal year 2014. Property tax receipts increased \$23,929, other government tax receipts increased \$231,709 and disbursements decreased \$2,204,346.
- The cash basis net position of the City's business type activities decreased \$34,121, primarily due to disbursements exceeding receipts in the Enterprise, Water Fund.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the City's indebtedness.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$779,828 to \$956,054. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

Receipts:	Year Ended
Program receipts:	June 30, 2014
Charges for service	\$ 41,854
Operating grants, contributions and restricted interest	91,147
Capital grants, contributions and restricted interest	19,400
General receipts:	
Property tax	532,210
Local option tax	100,536
Unrestricted interest	1,341
Other general receipts	296,525
Total receipts	<u>1,083,013</u>
Disbursements:	
Public safety	112,097
Public works	145,082
Health and social services	1,562
Culture and recreation	111,947
Community and economic development	8,662
General government	112,072
Debt service	346,797
Capital projects	68,568
Total disbursements	<u>906,787</u>
Change in cash basis net position	176,226
Cash basis net position beginning of year	<u>779,828</u>
Cash basis net position end of year	<u><u>\$ 956,054</u></u>

The cash basis net position increase of \$176,226 is primarily due to an increase in property tax receipts of \$23,929, an increase in other general receipts of \$231,709 and a decrease in disbursements of \$2,204,346.

Changes in Cash Basis Net Position of Business Type Activities

	Year Ended June 30, 2014
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 108,516
Sewer	37,516
General receipts:	
Unrestricted interest on investments	776
Total receipts	<u>146,808</u>
Disbursements:	
Water	150,503
Sewer	<u>30,426</u>
Total disbursements	<u>180,929</u>
Change in cash basis net position	(34,121)
Cash basis net position beginning of year	<u>204,114</u>
Cash basis net position end of year	<u><u>\$ 169,993</u></u>

Total business type activities cash basis net position decreased from a year ago, decreasing from \$204,114 at June 30, 2013 to \$169,993 at June 30, 2014. The decrease is primarily due to a increase in water disbursements from fiscal year 2013 to fiscal year 2014.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Ventura completed the year, its governmental funds reported a combined fund balance of \$956,054, an increase of \$176,226 from last year's total of \$779,828. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$29,333 from the prior year to \$347,010.
- The Road Use Tax Fund cash balance decreased by \$6,343 to \$53,849 during the fiscal year. The City intends to use this money to upgrade the condition of all city roads.
- The Local Option Tax Fund cash balance increased \$30,902 to \$76,451.

- There was an increase in the Debt Service Fund cash balance of \$171,502 for an ending balance of \$346,285, due to the City receiving special assessments.
- The Capital Projects Fund cash balance decreased \$49,168 to \$132,459.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$41,660 to \$39,995 during the fiscal year.
- The Sewer Fund cash balance increased by \$7,539 to \$129,998 during the fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. The amended budget was approved on May 12, 2014 to provide for additional \$164,000 in disbursements to provide for additional disbursements for the culture and recreation, general government, capital projects, and business type functions.

The City's receipts were \$301,216 more than budgeted. This was primarily due to the City receiving special assessment revenues.

DEBT ADMINISTRATION

At June 30, 2014, the City had \$3,178,248 in general obligation bonds, compared to \$3,442,019 at the end of the prior year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2014	2013
General obligation bonds	<u>\$3,178,248</u>	<u>3,442,019</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,178,248 is below its constitutional debt limit of approximately \$4,002,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Ventura's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates, and fees that will be

charged for various City activities. Economic factors in the area remain steady as the county unemployment rate remains one of the lowest in the state.

These among other economic factors were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget are \$185,554, an increase of 20.0% from the final 2014 budget. Budgeted disbursements are expected to decrease by \$60,010. The City has added no major new programs or initiatives to the 2015 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$47,540 by the close of 2015. Actual amounts can and usually do differ from budgeted amounts.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Else Taylor, City Administrator, 101 Sena Street, Ventura, Iowa.

BASIC FINANCIAL STATEMENTS

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges	Operating Grants,	Capital Grants,	Governmental Activities	Business	Total
		for Service	Contributions and Restricted Interest	Contributions and Restricted Interest		Type Activities	
Functions / Programs:							
Governmental activities:							
Public safety	\$ 112,097				(112,097)		(112,097)
Public works	145,082	41,598		71,595	(31,889)		(31,889)
Health and social services	1,562				(1,562)		(1,562)
Culture and recreation	111,947			19,552	(92,395)		(92,395)
Community and economic development	8,662	256			(8,406)		(8,406)
General government	112,072				(112,072)		(112,072)
Debt service	346,797				(346,797)		(346,797)
Capital projects	68,568			19,400	(49,168)		(49,168)
Total governmental activities	906,787	41,854		91,147	(754,386)		(754,386)
Business type activities:							
Water	150,503	108,516				(41,987)	(41,987)
Sewer	30,426	37,516				7,090	7,090
Total business type activities	180,929	146,032				(34,897)	(34,897)
Total	\$ 1,087,716	187,886		91,147	(754,386)	(34,897)	(789,283)
General Receipts:							
Property tax levied for:							
General purposes					\$ 293,289		293,289
Debt service					238,921		238,921
Local option sales tax					100,536		100,536
Unrestricted interest on investments					1,341	776	2,117
Miscellaneous					296,525		296,525
Total general receipts					930,612	776	931,388
Change in cash basis net position					176,226	(34,121)	142,105
Cash basis net assets beginning of year					779,828	204,114	983,942
Cash basis net assets end of year					\$ 956,054	169,993	1,126,047
Cash Basis Net Position							
Restricted:							
Expendable:							
Streets					\$ 53,849		53,849
Debt service					346,285		346,285
Other purposes					302,371		302,371
Unrestricted					253,549	169,993	423,542
Total cash basis net position					\$ 956,054	169,993	1,126,047

See notes to financial statements.

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2014

	Special Revenue					Total
	General	Road Use Tax	Local Option	Debt Service	Capital Project	
Receipts:						
Property tax	\$ 293,289			238,921		532,210
Other city tax	2,698		100,536	2,205		105,439
Licenses and permits	6,768					6,768
Use of money and property	30,593		77			30,670
Intergovernmental	19,552	71,595			19,400	110,547
Charges for services	41,854					41,854
Special assessments				241,143		241,143
Miscellaneous	14,382					14,382
Total receipts	409,136	71,595	100,613	482,269	19,400	1,083,013
Disbursements:						
Operating:						
Public safety	42,386		69,711			112,097
Public works	67,144	77,938				145,082
Health and social services	1,562					1,562
Culture and recreation	111,947					111,947
Community & economic development	8,662					8,662
General government	112,072					112,072
Debt service				346,797		346,797
Capital projects					68,568	68,568
Total disbursements	343,773	77,938	69,711	346,797	68,568	906,787
Excess (deficiency) of receipts over (under) disbursements	65,363	(6,343)	30,902	135,472	(49,168)	176,226
Other financing sources (uses):						
Operating transfers in				36,030		36,030
Operating transfers out	(36,030)					(36,030)
Total other financing sources (uses)	(36,030)			36,030		
Change in cash balances	29,333	(6,343)	30,902	171,502	(49,168)	176,226
Cash balances beginning of year	317,677	60,192	45,549	174,783	181,627	779,828
Cash balances end of year	\$ 347,010	53,849	76,451	346,285	132,459	956,054
Cash Basis Fund Balances						
Restricted For:						
Debt service				346,285		346,285
Streets		53,849				53,849
Other purposes			76,451		132,459	208,910
Assigned	93,461					93,461
Unassigned	253,549					253,549
Total cash basis fund balances	\$ 347,010	53,849	76,451	346,285	132,459	956,054

See notes to financial statements.

City of Ventura

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2014

	Enterprise		
	Water	Sewer Rental	Total
Operating receipts:			
Charges for service	\$ 108,516	37,516	146,032
Total operating receipts	108,516	37,516	146,032
Operating disbursements:			
Business type activities	150,503	30,426	180,929
Total operating disbursements	150,503	30,426	180,929
Excess (deficiency) of operating receipts			
over (under) operating expenses	(41,987)	7,090	(34,897)
Non-operating receipts:			
Interest on investments	327	449	776
Net non-operating receipts	327	449	776
Change in cash balances	(41,660)	7,539	(34,121)
Cash balance beginning of year	81,655	122,459	204,114
Cash balances end of year	\$ 39,995	129,998	169,993
Cash Basis Fund Balances			
Unrestricted	\$ 39,995	129,998	169,993
Total cash basis fund balances	\$ 39,995	129,998	169,993

See notes to financial statements.

CITY OF VENTURA

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

The City of Ventura is a political subdivision of the State of Iowa located in Cerro Gordo. It was first incorporated in 1960 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Ventura has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Ventura Protection Association Board, Landfill of North Iowa Board, Community Fire Board and Library Board.

B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

CITY OF VENTURA

Notes to Financial Statements (continued)

June 30, 2014

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City has elected to report all governmental funds as major funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Fund is used to account for local option tax receipts and disbursements.

CITY OF VENTURA

Notes to Financial Statements (continued)

June 30, 2014

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the construction of capital facilities.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF VENTURA

Notes to Financial Statements (continued)

June 30, 2014

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CITY OF VENTURA

Notes to Financial Statements (continued)

June 30, 2014

(3) Bonds Payable

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2015	\$ 258,248	79,607
2016	225,000	76,068
2017	230,000	73,143
2018	230,000	69,463
2019	235,000	65,093
2020-2024	1,250,000	235,689
2025-2027	750,000	49,310
	<u>\$ 3,178,248</u>	<u>648,373</u>

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Contribution requirements are established by the state statute. The City's contributions to IPERS for the year ended June 30, 2014 was \$12,817, equal to the required contributions for the year.

(5) Other Postemployment Benefits(OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 2 active members in the plan. Participants must be age 55 or older at retirement.

CITY OF VENTURA

Notes to Financial Statements (continued)

June 30, 2014

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

The dental benefits are provided through a fully-insured plan with Delta Dental. Retirees pay the same premium for the dental benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$824 for family coverage for medical/prescription drug benefits and \$77 for family coverage for dental benefits. The same monthly premiums apply to retirees. For the year ended June 30, 2014 the City contributed \$22,107.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. Sick leave hours are accumulated for subsequent use but are not paid upon termination, retirement, or death. Comp time hours are accumulated for subsequent use but are not paid upon termination or retirement. These accumulations are not recognize as disbursements by the City until used or paid. The City's approximate liability for earned vacation to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount June 30, 2014</u>
Vacation	\$ <u>9,011</u>

This liability has been computed based on rates of pay as of June 30, 2014.

(7) Related Party Transactions

The City had no business transactions between the City and City officials during the year ended June 30, 2014.

(8) Risk Management

The City of Ventura is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF VENTURA

Notes to Financial Statements (continued)

June 30, 2014

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ <u>36,030</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(10) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB No.27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

OTHER INFORMATION

City of Ventura

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 532,210		532,210	531,211	531,211	999
Other city tax	105,439		105,439	94,773	94,773	10,666
Licenses and permits	6,768		6,768	4,555	4,555	2,213
Use of money and property	30,670	776	31,446	30,450	30,450	996
Intergovernmental	110,547		110,547	87,666	87,666	22,881
Charges for services	41,854	146,032	187,886	165,675	165,675	22,211
Special assessments	241,143		241,143			241,143
Miscellaneous	14,382		14,382	14,275	14,275	107
Total receipts	1,083,013	146,808	1,229,821	928,605	928,605	301,216
Disbursements:						
Public safety	112,097		112,097	122,583	122,583	10,486
Public works	145,082		145,082	147,925	147,925	2,843
Health and social services	1,562		1,562	2,000	2,000	438
Culture and recreation	111,947		111,947	100,775	117,775	5,828
Community and economic development	8,662		8,662	9,880	9,880	1,218
General government	112,072		112,072	106,477	118,477	6,405
Debt service	346,797		346,797	346,798	346,798	1
Capital Projects	68,568		68,568		75,000	6,432
Business type activities		180,929	180,929	124,525	184,525	3,596
Total disbursements	906,787	180,929	1,087,716	960,963	1,124,963	37,247
Excess (deficiency) of receipts over (under) disbursements	176,226	(34,121)	142,105	(32,358)	(196,358)	338,463
Balances beginning of year	779,828	204,114	983,942	1,034,151	1,034,151	(50,209)
Balances end of year	\$ 956,054	169,993	1,126,047	1,001,793	837,793	288,254

See accompanying independent auditor's report.

City of Ventura

Notes to Other Information – Budgetary Reporting

June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year one budget amendment increased budgeted disbursements by \$164,000. The budget amendment is reflected in the final budgeted amounts.

SUPPLEMENTARY INFORMATION

City of Ventura

Schedule of Indebtedness

Year ended June 30, 2014

Obligation	Date of Issue	Rate of Interest	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General Obligation:								
Community Center	7/30/2003	4.00%	\$ 155,000	49,000		24,000	25,000	2,145
Dredging Loan	7/29/2008	1.25	56,250	18,019		9,771	8,248	113
Street Project	9/29/2011	.60-3.45	3,515,000	3,375,000		230,000	3,145,000	80,155
Total general obligation bonds				\$ 3,442,019		263,771	3,178,248	82,413

See accompanying independent auditor's report.

CITY OF VENTURA

Bond and Note Maturities

June 30, 2014

Year Ending June 30,	GENERAL OBLIGATION						Total
	Community Center Issued July 30, 2003		Dredging Loan Issued July 29, 2008		Street Project Issued September 29, 2011		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2015	4.00%	\$ 25,000	1.25%	8,248	1.05%	225,000	258,248
2016					1.30	225,000	225,000
2017					1.60	230,000	230,000
2018					1.90	230,000	230,000
2019					2.20	235,000	235,000
2020					2.40	240,000	240,000
2021					2.60	245,000	245,000
2022					2.85	250,000	250,000
2023					2.95	255,000	255,000
2024					3.10	260,000	260,000
2025					3.25	260,000	260,000
2026					3.35	270,000	270,000
2027					3.45	220,000	220,000
Total		\$ 25,000		8,248		3,145,000	3,178,248

See accompanying independent auditor's report.



Renner & Birchem, PC

Certified Public Accountants

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ventura, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 16, 2015. Our report expressed modified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Ventura's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ventura's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Ventura's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Ventura's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-14 through I-C-14 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ventura's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Ventura's Responses to Findings

The City of Ventura's responses to findings identified in our audit are described in the accompanying Schedule of Findings. City of Ventura's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion of them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Ventura during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

January 16, 2015



Renner & Birchem, P.C.
Britt, Iowa

City of Ventura
Schedule of Findings
Year Ended June 30, 2014

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

I-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts functions and the cash disbursement functions are all done by the same person.

Recommendation - We realize that with a limited number of employees segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate this.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-14 Preparation of Financial Statements –The City does not have an internal control system designed to provide for the preparation of the financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for the governmental entity similar in population to the City of Ventura. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the City’s management and those charged with governance should decide whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – The City will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in preparation of the financial statements.

Conclusion - Response accepted.

City of Ventura

Schedule of Findings

Year Ended June 30, 2014

Part I: Findings Related to the Financial Statements: (continued)

I-C-14 Posting of Financial Transactions – Receipts and disbursements were not always posted to the correct accounts.

Recommendation – More care should be exercised when posting transactions to reduce the incidence of mispostings.

Response – In the future, more care will be exercised when posting transactions.

Conclusion - Response acknowledged.

Instances of Non – Compliance:

No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget – Disbursements during the year ended June 30, 2014, did not exceed amounts budgeted.

II-B-14 Questionable Disbursements – We noted no disbursements that do not meet the requirements of public purpose as defined in Attorney General’s opinion dated April 25, 1979.

II-C-14 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-14 Business Transactions – No business transactions between the City and City officials or employees were noted.

II-E-14 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-14 Council Minutes - No transactions were found that we believe should have been approved in the council minutes but were not.

Although minutes of City Council proceedings were published, they were not all published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should publish minutes as required.

City of Ventura

Schedule of Findings

Year Ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting: (continued)

Response – We will publish minutes as required.

Conclusion – Response accepted.

II-G-14 Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa. However, the maximum amount which may be kept on deposit in each depository is not stated in the resolution.

Recommendation – The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa. In addition the City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of Code of Iowa.

Response – We will adopt a written investment policy and resolution to approve amounts of depositories.

Conclusion – Response accepted.